PROPERTY DIVISION

Transforming Urban Areas

Swire Properties' growing portfolio of offices, retail space and hotels is continuing to transform urban areas.

OVERVIEW OF THE BUSINESS

Swire Properties is a leading developer, owner and operator of mixed-use, principally commercial properties in Hong Kong and Mainland China, with a well-established record of creating long-term value by transforming urban areas. Swire Properties' business comprises three main areas:

Property Investment

Swire Properties' property investment portfolio in Hong Kong comprises office and retail premises in prime locations, serviced apartments and other luxury residential accommodation. The completed portfolio in Hong Kong totals 13.2 million square feet of gross floor area. In Mainland China, Swire Properties has interests in major commercial mixed-use developments in Guangzhou, Beijing, Shanghai and Chengdu, which will total 8.8 million square feet on completion. Of this, 6.3 million square feet has already been completed. In the United States, Swire Properties is the primary developer undertaking a mixed-use commercial development at Brickell City Centre in Miami, Florida. On completion after two phases of development, Brickell City Centre is expected to comprise approximately 4.0 million square feet (6.7 million square feet including car park and circulation areas). Swire Properties was responsible for the redevelopment of OPUS HONG KONG at 53 Stubbs Road, which is owned by Swire Pacific, and is responsible for the leasing and management of the property.

Hotel Investment

Swire Properties wholly-owns and manages, through Swire Hotels, two hotels in Hong Kong, The Upper House at Pacific Place and EAST, Hong Kong at Island East. Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung. In Mainland China, Swire Hotels manages two hotels, The Opposite House at Taikoo Li Sanlitun (formerly known as Sanlitun Village) in Beijing, which is wholly-owned by Swire Properties, and EAST at INDIGO, Beijing, in which Swire Properties owns a 50% interest. At TaiKoo Hui in Guangzhou, Swire Properties owns a 97% interest in the Mandarin Oriental, which opened in January 2013. In the United Kingdom, Swire Properties wholly-owns four hotels, in Cheltenham, Bristol, Brighton and Exeter. In the United States, Swire Properties owns a 75% interest in the Mandarin Oriental in Miami.

Property Trading

Swire Properties' trading portfolio comprises three luxury residential projects under development in Hong Kong (two on Hong Kong Island and one on Lantau Island), a residential complex under development at Brickell City Centre in Miami, an office property under development as part of the Daci Temple project in Chengdu and unsold units in completed developments. These completed developments are the ARGENTA, AZURA and MOUNT PARKER RESIDENCES developments on Hong Kong Island, the DUNBAR PLACE development in Kowloon and the ASIA development in Miami. There are also land banks in Miami and Fort Lauderdale in Florida in the United States.

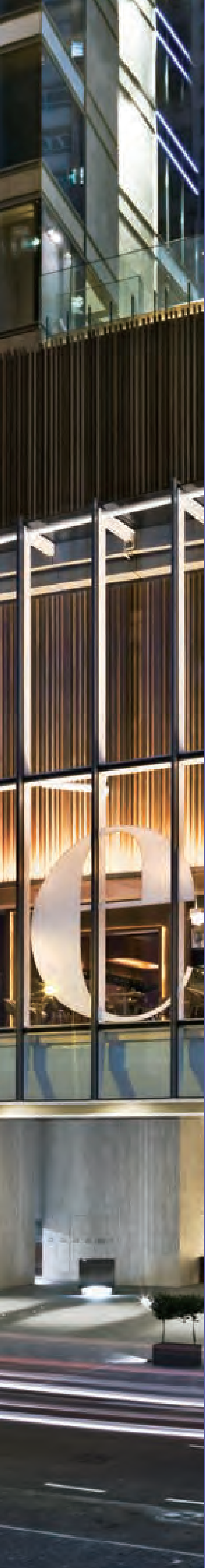
Particulars of the Group's key properties are set out on pages 243 to 251.

Principal Property Investment Portfolio – Gross Floor Area
('000 Square Feet)

	At 31st December 2013						At 31st December 2012
Location	Office	Retail	Hotels	Residential	Under Planning	Total	Total
Completed							
Pacific Place	2,186	711	496	443	–	3,836	3,836
TaiKoo Place	5,257*	–	–	–	–	5,257	6,180
Cityplaza	1,633	1,105	200	–	–	2,938	2,938
Others	410	608	47	98	–	1,163	1,163
– Hong Kong	9,486	2,424	743	541	–	13,194	14,117
Taikoo Li Sanlitun	–	1,296	169	–	–	1,465	1,465
TaiKoo Hui	1,732	1,473	584	52	–	3,841	3,841
INDIGO	298	470	179	–	–	947	947
Others	–	91	–	–	–	91	91
– Mainland China	2,030	3,330	932	52	–	6,344	6,344
– United States	–	–	259	–	–	259	259
– United Kingdom	–	–	208	–	–	208	208
Total completed	11,516	5,754	2,142	593	–	20,005	20,928
Under and pending development							
– Hong Kong	1,555	12	–	63	92	1,722	47
– Mainland China	926	1,141	346	41	–	2,454	2,428
– United States	260	565	218	109	1,300	2,452	1,807
Total	14,257	7,472	2,706	806	1,392	26,633	25,210

Gross floor area represents 100% of space owned by Group companies and the division's attributable share of space owned by joint venture and associated companies. A schedule of the principal properties of the Group and its joint venture and associated companies is given on pages 243 to 251.

* Includes 894,000 square feet at two techno-centres (Warwick House and Cornwall House).



STRATEGY

The strategic objective of Swire Properties (as a listed company in its own right) is sustainable growth in shareholder value over the long-term as a leading developer, owner and operator of mixed-use commercial properties in Hong Kong and Mainland China. The strategies employed in order to achieve this objective are these:

- The creation of long-term value through conceiving, designing, developing, owning and managing transformational mixed-use and other projects in urban areas.
- Maximisation of the earnings and value of its completed properties through active asset management, including reinforcing its assets through enhancement, redevelopment and new additions.
- Continuing to expand its luxury residential property activities.
- Remaining focused principally on Hong Kong and Mainland China.
- Conservative management of its capital base.

IMPLEMENTING STRATEGIES

New Projects

Swire Properties designs projects which it believes will have the necessary scale, mix of uses and transport links to become key commercial destinations and to transform the areas in which they are situated. Swire Properties' experience and record of success as a developer of major commercial projects gives it a strong competitive advantage in securing new projects. In Hong Kong, suitable development sites of significant size are not easy to obtain due to strong competition and the limited amount of suitable undeveloped land. The progress and cost of developments can be adversely affected by a number of different factors. In Mainland China, Swire Properties aims to replicate the success which it has experienced in Hong Kong. It takes a measured approach to land purchases. It focuses on developments where it can secure sites through early engagement with local governments which recognise its strengths in developing large-scale mixed-use projects.

2013 Performance

Capital Expenditure

HK$7.1bn

Capital Commitments at Year-end

HK$29.5bn

Rental Income

Swire Properties actively manages its completed property developments, including by optimising the mix of retail tenants and negotiating with office tenants about early renewal. Its long-term aim is to maintain consistently high levels of service and to enhance and reinforce its assets. By doing so, Swire Properties expects to maximise the occupancy and earnings potential of its properties. Notwithstanding Swire Properties' active management of its developments, the growth of rental income principally depends on the performance of the real estate markets in Hong Kong and Mainland China (in the latter in particular in Beijing and Guangzhou). Any real estate market downturn in these areas could affect Swire Properties' rental income.

2013 Performance

Gross Rental Income (Hong Kong)

+5%

Gross Rental Income (Mainland China)

+18%

Trading Profit

A key objective of Swire Properties is to expand its residential property activities through acquiring appropriate sites for the development of luxury residential projects.

2013 Performance

Property Trading – Operating Profit

–HK$1.4bn

Units Closed

47

Capital Base

Swire Properties aims to maintain a strong capital base by investing in and financing projects in a disciplined and targeted manner. Its aim in managing its capital base is to safeguard its ability to operate as a going concern and to have access to finance at a reasonable cost. In monitoring its capital structure, Swire Properties considers (among other things) its gearing ratio, its cash interest cover and the return cycle of its various investments.

2013 Performance

Gearing

+0.8% pts

Return on Equity

6%

Sustainability

Tenants increasingly scrutinise the sustainability credentials of landlords and buildings. Swire Properties aims to be at the forefront of sustainable development by designing energy efficient buildings through the innovative use of design, materials and new technology.

2013 Performance

Energy Consumption

+8%

LTIR

–8%

2013 PERFORMANCE

Financial Highlights

	2013 HK$M	2012 HK$M
Turnover		
Gross rental income derived from		
Office	**5,386**	5,008
Retail	**3,961**	3,675
Residential	**329**	332
Other revenue *	**110**	108
Property investment	**9,786**	9,123
Property trading	**2,207**	4,147
Hotels	**942**	782
Total turnover	**12,935**	14,052
Operating profit/(loss) derived from		
Property investment	**7,309**	6,849
Valuation gains on investment properties	**6,141**	12,159
Sale of investment properties	**–**	12
Property trading	**1,035**	2,395
Hotels	**(65)**	(39)
Total operating profit	**14,420**	21,376
Share of post-tax profits from joint venture and associated companies	**948**	821
Attributable profit	**12,448**	18,637
Swire Pacific share of attributable profit	**10,207**	15,282

* Other revenue is mainly estate management fees.

Sustainable Development Highlights

	2013	2012
Energy consumption (Thousands of Gigajoules)	**894**	826
LTIR	**2.29**	2.48

Note:
1. Swire Pacific has implemented the revised HKAS19: Employee Benefits (effective from 1st January 2013), which requires retrospective application. As a result, the 2012 full-year comparative results for the division have been restated from those in the Group's 2012 full-year statutory accounts.
2. Please refer to pages 239 to 242 for further sustainable development statistics.

Reconciliation of Attributable to Underlying Profit

Additional information is provided below to reconcile reported and underlying profit attributable to shareholders. These reconciling items principally adjust for net revaluation movements on investment properties and the associated deferred tax in Mainland China and for other deferred tax provisions in relation to investment properties.

	Note	2013 HK$M	2012 HK$M
Reported attributable profit		**12,448**	18,637
Adjustments in respect of investment properties:			
Revaluation of investment properties	(a)	**(6,946)**	(12,751)
Deferred tax on investment properties	(b)	**573**	661
Realised profit on sale of investment properties	(c)	**94**	176
Depreciation of investment properties occupied by the Group	(d)	**20**	20
Non-controlling interests' share of revaluation movements less deferred tax		**19**	17
Underlying attributable profit		**6,208**	6,760
Swire Pacific share of underlying attributable profit		**5,091**	5,543

Notes:
(a) This represents the Group's net revaluation movements and the Group's share of net revaluation movements of joint venture and associated companies.
(b) This represents deferred tax movements on the Group's investment properties and the Group's share of deferred tax movements on investment properties held by joint venture and associated companies. These comprise deferred tax on revaluation movements on investment properties in Mainland China and deferred tax provisions made in respect of investment properties held for the long-term where it is considered that the liability will not reverse for some considerable time.
(c) Prior to the implementation of HKAS 40, changes in the fair value of investment properties were recorded in the revaluation reserve rather than the statement of profit or loss. On sale, the revaluation gains were transferred from the revaluation reserve to the statement of profit or loss.
(d) Prior to the implementation of HKAS 40, no depreciation was charged on investment properties occupied by the Group.

PROPERTY INDUSTRY BACKGROUND

Office and Retail Markets

Hong Kong

OFFICE

Demand for office space was generally weak in 2013, particularly from financial institutions. Despite limited new supply of office space in the central district of Hong Kong, lower occupancy rates put rents under pressure. Rents outside the central district of Hong Kong, in Island East, remained relatively robust.

RETAIL

The growth of retail sales, particularly of luxury goods, slowed in 2013. Despite this, demand for retail space in good locations and well-managed malls remained quite strong. Retailers were cautious about taking additional space.

Mainland China

OFFICE

The supply of office space in Guangzhou increased significantly following the completion of a number of new office towers in Zhujiang New Town. This added to the already large existing stock of office space. As the absorption of new office space was limited, rents remained under pressure during 2013. The demand for office space in Beijing weakened in 2013. Rents stayed the same or declined.

RETAIL

Retail sales in Guangzhou grew by 16% in 2013. Demand for retail space remained good as there was little supply of new prime retail space. Retail sales in Beijing grew by 9% in 2013. Retailers were cautious about opening new stores. Nevertheless, rents on new lettings and renewals continued to increase as there was not much new space available.

Hotel Industry

Hong Kong

Hotels in Hong Kong did well in 2013. There was strong demand from Mainland China visitors despite slower economic growth.

Mainland China

Trading conditions remained weak in Beijing during 2013 due to the opening of new hotels and a reduction in the number of international visitors.

UK

The trading environment was challenging.

Property Sales Markets

Hong Kong

Sales of luxury residential properties in Hong Kong were adversely affected by government measures designed to reduce speculation in the housing market.

USA

The residential property market in urban Miami improved.

2013 RESULTS SUMMARY

Attributable profit from the Property Division for the year was HK$10,207 million compared to HK$15,282 million in 2012. These figures include net property valuation gains, before deferred tax in Mainland China, of HK$6,946 million and HK$12,751 million in 2013 and 2012 respectively. Underlying profit, which principally adjusts for changes in the valuation of investment properties, decreased by HK$452 million to HK$5,091 million.

Taikoo Li Sanlitun has reshaped the Sanlitun area of Beijing by introducing a modern and cosmopolitan element to a popular area of the city.

The decrease in underlying profit principally reflects a lower contribution from property trading, partially offset by higher profits from property investment in Hong Kong and Mainland China.

Gross rental income was HK$9,676 million in 2013, compared with HK$9,015 million in 2012. The increase is largely due to positive rental reversions, in particular at the Island East offices, and a higher contribution from The Mall at Pacific Place. In Mainland China, rental income increased significantly, with improved performances at Taikoo Li Sanlitun in Beijing and at TaiKoo Hui in Guangzhou.

Operating profit from property trading decreased due to fewer completions of sales of units at the AZURA development, partially offset by completions of sales of units at the ARGENTA development.

There were better performances in 2013 from The Upper House and the UK hotels. However, this was offset by weaker results from the hotels in Mainland China.

Energy consumption increased by 8% in 2013. The lost time injury rate decreased by 8%.

ARGENTA offers 30 luxury residential apartments in the Western Mid Levels in Hong Kong.

KEY CHANGES TO THE PROPERTY PORTFOLIO

In March 2013, the consortium which owns the existing Citygate Outlets development at Tung Chung in Hong Kong and in which Swire Properties has a 20% equity interest won a tender to develop a commercial site adjacent to the existing Citygate Outlets.

In July 2013, Swire Properties acquired a site adjacent to the Brickell City Centre development in Miami, Florida, USA.

In November 2013, Swire Properties acquired a site in Kowloon Bay, Hong Kong.

In December 2013, Swire Properties announced that it had agreed to acquire a 50% interest in the DCH Commercial Centre in Quarry Bay. The acquisition was completed in January 2014.

In January 2014, Swire Properties entered into a framework agreement with CITIC Real Estate Co., Ltd. and Dalian Port Real Estate Co., Ltd. signifying the parties' intention to develop a mixed-use development comprising a retail complex and apartments in Dalian, Mainland China. Swire Properties is expected to hold a 50% interest in the joint venture. The proposed joint venture and development are subject to satisfaction of certain conditions precedent.

In February 2014, the company which owns an industrial site at 8-10 Wong Chuk Hang Road in Aberdeen, Hong Kong (in which Swire Properties has a 50% interest) agreed with the Government to proceed with a modification of the Government Leases to permit the site to be used for commercial purposes. The site is intended to be developed into an office building with an aggregate gross floor area of approximately 382,500 square feet.

INVESTMENT PROPERTIES

Hong Kong

OFFICE

Swire Properties' completed office portfolio comprises 9.5 million square feet of space in Hong Kong, including 2.2 million square feet at Pacific Place in Admiralty, 1.6 million square feet at Cityplaza in Island East and 5.3 million square feet at TaiKoo Place in Island East.

Swire Properties has office tenants in Hong Kong operating in different sectors. The top ten office tenants occupied approximately 18% of its office space in Hong Kong at 31st December 2013. Approximately 30% of its office space in Hong Kong is occupied by companies in the financial services sector.

The Hong Kong office portfolio did well in 2013. Gross rental income increased by 6% compared with 2012, to HK$5,098 million. This reflected positive rental reversions, in particular at Island East. Occupancy rates at Pacific Place and Island East remained high throughout the year.

The office building at 8 Queen's Road East was leased (after extensive refurbishment) to a single tenant for a ten-year term commencing in September 2013. It has been renamed Generali Tower. At the end of 2013, approximately 78% of the office building at 28 Hennessy Road (which was completed in 2012) had been leased.

At 31st December 2013, the office occupancy rate was 96%.

RETAIL

Swire Properties manages three retail malls in Hong Kong: The Mall at Pacific Place, comprising 0.7 million square feet; Cityplaza in Island East, comprising 1.1 million square feet; and Citygate Outlets at Tung Chung, comprising 0.5 million square feet. The malls are wholly-owned by Swire Properties, except for Citygate Outlets, in which it has a 20% interest. There are other minor retail interests in Hong Kong.

Pacific Place is a major mixed-use development in Hong Kong comprising a newly redesigned shopping mall, three office towers, luxury serviced apartments and four hotels.

The Hong Kong retail portfolio's gross rental income for 2013 increased by 5% compared with 2012, to HK$2,614 million. This reflected positive rental reversions and the recognition of a full-year of rental income following a reconfiguration of retail space at Pacific Place.

The Group's wholly-owned malls were effectively fully let throughout the year.

Retail sales at The Mall at Pacific Place grew marginally in 2013. Retail sales at the Cityplaza and Citygate malls were 2% and 14% higher respectively in 2013 than in 2012.

RESIDENTIAL

The completed residential portfolio comprises Pacific Place Apartments, the luxury OPUS HONG KONG development (owned by Swire Pacific) and a small number of luxury houses and apartments.

Rental income from the residential portfolio declined in 2013 due to lower occupancy rates at Pacific Place Apartments.

Five units at OPUS HONG KONG had been leased at 31st December 2013.

Occupancy at the residential portfolio was approximately 82% at 31st December 2013 (excluding OPUS HONG KONG).

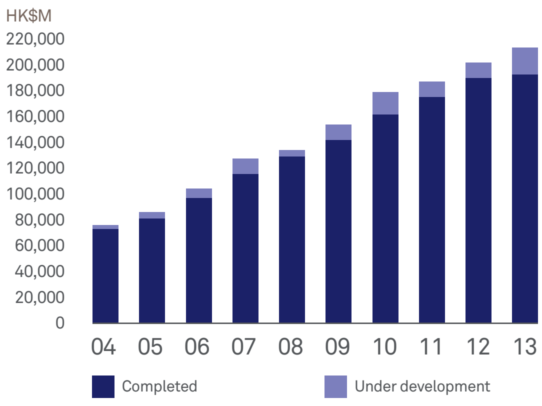
INVESTMENT PROPERTIES UNDER DEVELOPMENT

The property at 23 Tong Chong Street in Quarry Bay is being redeveloped into serviced apartments with a gross floor area of approximately 75,000 square feet. The redevelopment is expected to be completed at the end of 2014.

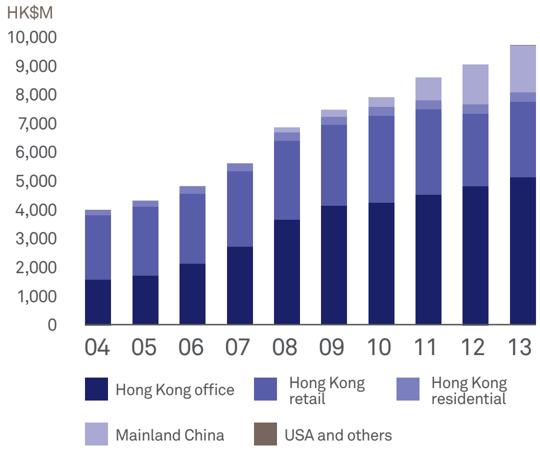
A commercial site (Tung Chung Town Lot No. 11) adjacent to Citygate Outlets was acquired by the same consortium which owns the existing Citygate Outlets development, in which Swire Properties has a 20% equity interest. The site will be developed into a multi-storey commercial building with a gross floor area of approximately 460,000 square feet. The development is expected to be completed in 2017.

A commercial site (New Kowloon Inland Lot No. 6312) at the junction of Wang Chiu Road and Lam Lee Street in Kowloon Bay in Hong Kong was acquired by tender in December 2013. The site will be developed into an office building, with a gross floor area of approximately 555,000 square feet. The development is expected to be completed in 2017.

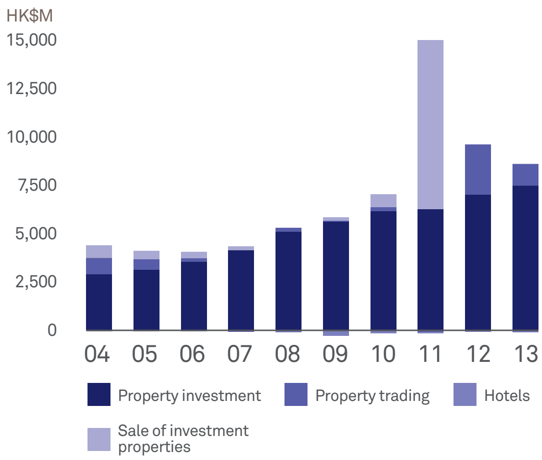
Valuation of Investment Properties



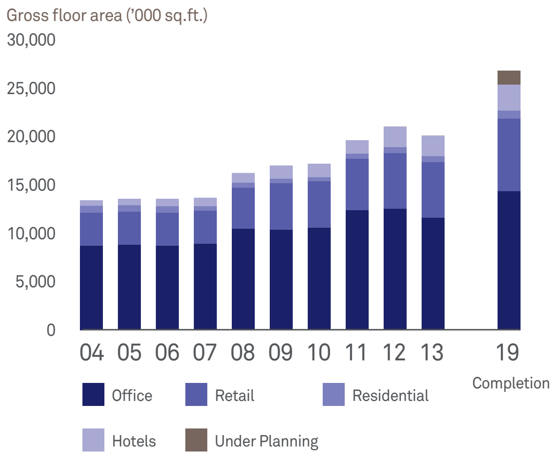
Gross Rental Income



Underlying Operating Profit



Completed Investment Property Portfolio



In February 2014, an agreement was entered into with the Government of the Hong Kong Special Administrative Region (represented by The Financial Secretary Incorporated) to acquire its interest in Cornwall House in TaiKoo Place. The transaction is expected to be completed on or before 30th December 2016 and will allow Swire Properties to proceed with the redevelopment of three existing techno-centres in TaiKoo Place into two Grade A office buildings. The first phase of the approved redevelopment plan, which will begin in 2014, involves demolishing Somerset House and redeveloping it into a 51 storey office building. The second phase involves redeveloping Cornwall House and Warwick House into a single 46 storey office tower. The first new office building is expected to be ready for handover by 2018.

Mainland China

Swire Properties owns and manages one retail centre and two mixed-use developments in Mainland China.

Taikoo Li Sanlitun (formerly Sanlitun Village) comprises two neighbouring sites in the Chaoyang district of Beijing, Taikoo Li Sanlitun South (with 0.8 million square feet of retail space) and Taikoo Li Sanlitun North (with 0.5 million square feet of retail space). Taikoo Li Sanlitun South focuses on contemporary fashion and lifestyle brands, with tenants including the largest Adidas store in the world and the first Apple store in Mainland China. Tenants at Taikoo Li Sanlitun North are principally retailers of international and local designer fashion brands.

GC Acquisitions VI Limited ("GCA"), a fund managed by Gaw Capital Partners, owned 20% of Taikoo Li Sanlitun at 31st December 2013. GCA had an option to sell its 20% interest to Swire Properties before the end of 2013. It exercised that option in August 2013 and the sale was completed in February 2014. The movement in the fair value of the option during the year resulted in a finance charge of HK$144 million, compared to HK$175 million in 2012. The exercise price of the option was HK$1,256 million. Exercise of the option has no impact on Swire Properties' accounting for its interest in Taikoo Li Sanlitun, as it had previously assumed that the option would be exercised and therefore treated the company owning this development as a 100% subsidiary for accounting purposes.

TaiKoo Hui is a mixed-use development in the Tianhe central business district of Guangzhou, with a total area of 3.8 milllion square feet. The development comprises a shopping mall, two Grade A office towers, a cultural centre (owned by a third party) and a Mandarin Oriental hotel with serviced apartments, together with approximately 700 car parking spaces, all of which are interconnected.

INDIGO is a 1.9 million square foot mixed-use development at Jiangtai in the Chaoyang district of Beijing, comprising a retail mall, a Grade A office tower (ONE INDIGO), and EAST, Beijing, a 369-room hotel.

RETAIL

The Mainland China retail portfolio's gross rental income for 2013 increased by 14% compared with 2012, to HK$1,347 million.

The overall occupancy rate at Taikoo Li Sanlitun was 94% at 31st December 2013. Retail sales in 2013 increased by 17%, reflecting good sales at newly opened and re-opened stores in Taikoo Li Sanlitun South and strong sales growth at fashion stores and food and beverage outlets in Taikoo Li Sanlitun North.

The mall at INDIGO was 96% occupied at 31st December 2013. Retail sales grew steadily in 2013.

Retail sales at the TaiKoo Hui mall grew by 25% in 2013. The mall was 99% occupied at 31st December 2013.

OFFICE

The Mainland China office portfolio's gross rental income for 2013 increased by 39% compared with 2012, to HK$270 million.

The two office towers at TaiKoo Hui were 89% occupied at 31st December 2013.

ONE INDIGO was 97% occupied at 31st December 2013.

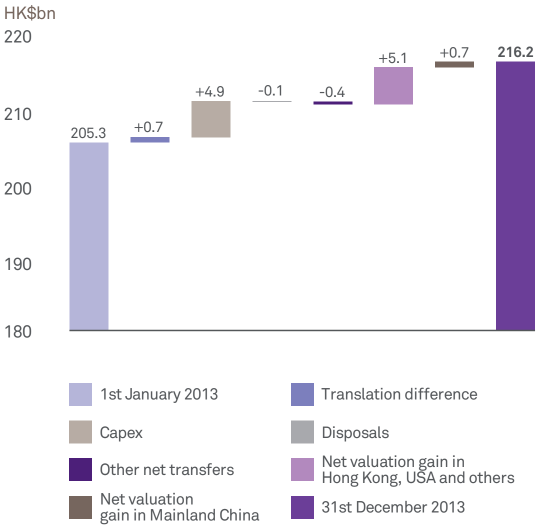
Located in the Jinjiang district of Chengdu, Sino-Ocean Taikoo Li Chengdu is the second joint venture between Sino-Ocean Land and Swire Properties. The retail development is scheduled to open in phases in 2014.

INVESTMENT PROPERTIES UNDER DEVELOPMENT

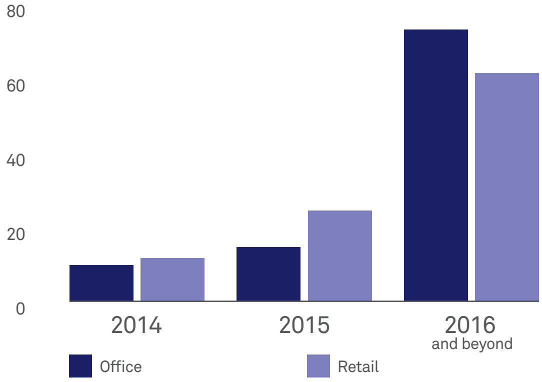
Site clearance has been completed at the Dazhongli site in Shanghai. Work on the foundations and basements is progressing. Above ground construction of the office towers has started. Upon completion in phases from 2016 onwards, the development will consist of a retail mall, two office towers and three hotels. The project will be linked to the West Nanjing Road Station on Metro Line 13, which is expected to open at the end of 2015.

The retail portion of the Daci Temple project in Chengdu has been named Sino-Ocean Taikoo Li Chengdu. Superstructure and façade installation works are in progress. A phased handover of space to tenants will begin in 2014.

Movement in Investment Properties



Hong Kong Lease Expiry Profile – at 31st December 2013



In July 2013, Sino-Ocean Land exercised its option to repurchase from Swire Properties a 13% interest in the Daci Temple project. Following exercise of this option, the interests of Swire Properties and Sino-Ocean Land in the project have each returned to 50%. This had no impact on Swire Properties' accounting for its interest in the project. Prior to the exercise of the option, the interest had been accounted for as a 50% interest in a joint venture. The exercise of the option was treated as a repayment of a secured loan.

Situated in the Brickell financial district of Miami, Florida, the Brickell City Centre development will be Swire Properties' first mixed-use development in Miami.

USA

Construction is underway at the mixed-use Brickell City Centre development in the financial district in Miami, Florida. The development has a combined phase I and phase II site area of 504,017 square feet.

Phase I of the development, comprising a shopping centre, a hotel, serviced apartments, two office buildings and two (or possibly three) residential towers, is scheduled to be completed in 2015. The residential towers are being developed for trading purposes. Swire Properties owns 100% of the office, hotel and residential portions and 87.5% of the retail portion of Phase I.

Phase II will be a mixed-use development comprising retail, office, hotel and condominium space, including an 80 storey tower called One Brickell City Centre. Phase II incorporates the site at 700 Brickell Avenue acquired by Swire Properties in July 2013 and will connect the Brickell City Centre development with Brickell Avenue. Swire Properties owns 100% of Phase II.

Audited Financial Information

INVESTMENT PROPERTIES

	Group			Company
	Completed HK$M	Under Development HK$M	Total HK$M	Total HK$M
At 1st January 2013	**192,991**	**12,282**	**205,273**	**4,396**
Translation differences	**676**	**5**	**681**	**–**
Additions	**216**	**4,692**	**4,908**	**–**
Disposals	**–**	**(96)**	**(96)**	**–**
Transfer upon completion	**1,238**	**(1,238)**	**–**	**–**
Transfer to redevelopment	**(5,494)**	**5,494**	**–**	**–**
Other net transfers to property, plant and equipment	**(37)**	**(335)**	**(372)**	**–**
Fair value gains/(losses)	**5,943**	**(98)**	**5,845**	**(296)**
	195,533	**20,706**	**216,239**	**4,100**
Add: Initial leasing costs	**285**	**–**	**285**	**–**
At 31st December 2013	**195,818**	**20,706**	**216,524**	**4,100**
At 1st January 2012	174,130	17,385	191,515	5,266
Translation differences	190	–	190	–
Additions	465	1,812	2,277	73
Disposals	(931)	(2)	(933)	(931)
Transfer upon completion	7,391	(7,391)	–	–
Other net transfers from property, plant and equipment	72	5	77	–
Fair value gains/(losses)	11,674	473	12,147	(12)
	192,991	12,282	205,273	4,396
Add: Initial leasing costs	315	–	315	–
At 31st December 2012	193,306	12,282	205,588	4,396

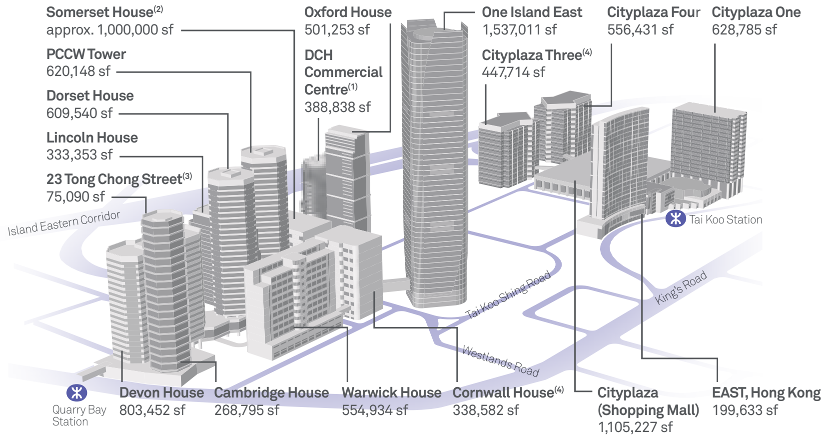
GEOGRAPHICAL ANALYSIS OF INVESTMENT PROPERTIES

	Group		Company	
	2013 HK$M	2012 HK$M	2013 HK$M	2012 HK$M
Held in Hong Kong				
On medium-term leases (10 to 50 years)	**29,349**	25,342	**–**	–
On long-term leases (over 50 years)	**160,795**	156,272	**4,100**	4,396
	190,144	181,614	**4,100**	4,396
Held in Mainland China				
On medium-term leases (10 to 50 years)	**24,439**	23,105		
Held in USA				
Freehold	**1,656**	554		
	216,239	205,273		

Note:
1. The Group figures in the table above comprise investment properties owned by Swire Properties and a small number of properties owned by Swire Pacific which are managed by Swire Properties. The Company figures represent those investment properties owned directly by Swire Pacific.
2. Fair value gains on investment properties are recognised in the line item "Change in fair value of investment properties" on the face of the consolidated statement of profit or loss.

Hong Kong

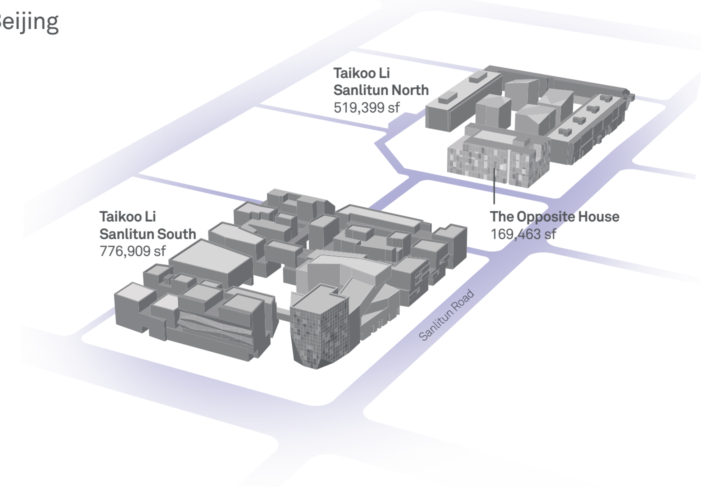
ISLAND EAST



Mainland China

TAIKOO LI SANLITUN

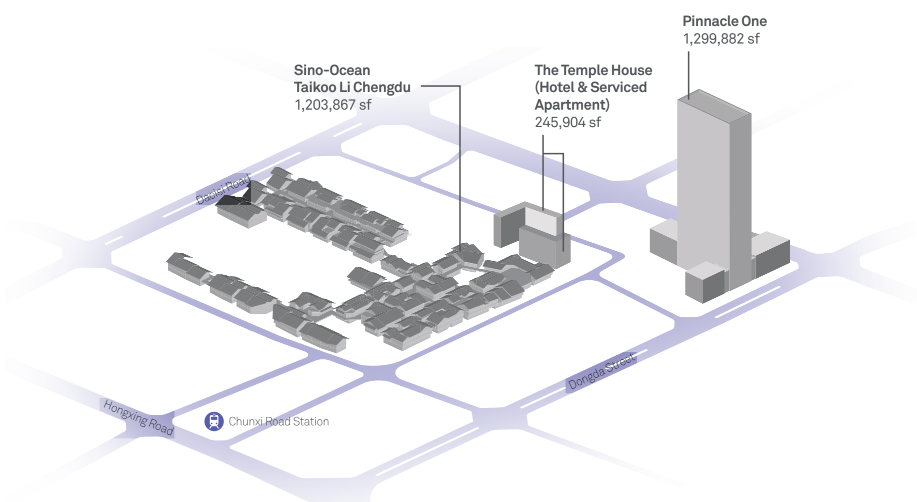
Beijing



Future Developments

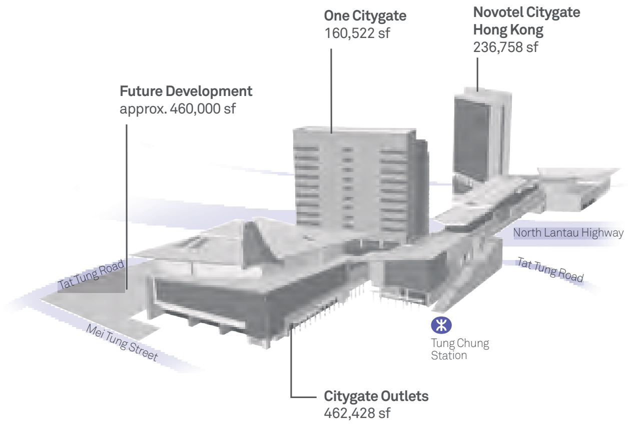
DACI TEMPLE PROJECT

Chengdu, Mainland China

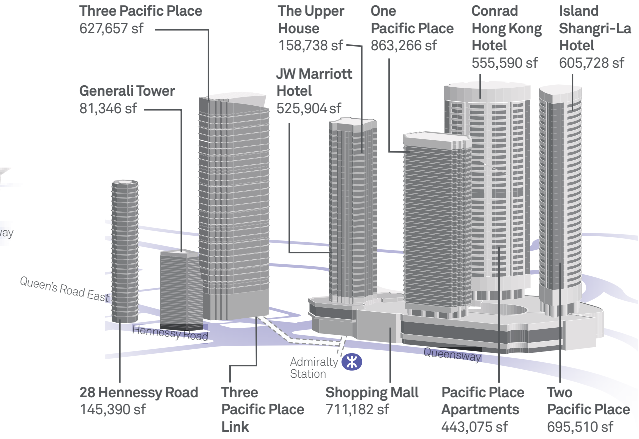


Note: These diagrams are not to scale and are for illustration purposes only
(1) Acquired and transaction completed in January 2014 (2) Under redevelopment (3) Under development (4) In February 2014, Swire Properties reached an agreement with the HKSAR Government to acquire its interest in Cornwall House. The agreement provides for the exchange of ten floors of Grade A office space in Cityplaza Three (approx. 205,000 sf) for all the areas in Cornwall House currently owned and occupied by the HKSAR Government, consisting principally of eight floors in the building (approx. 187,000 sf). The transaction is expected to be completed on or before 30th December 2016.

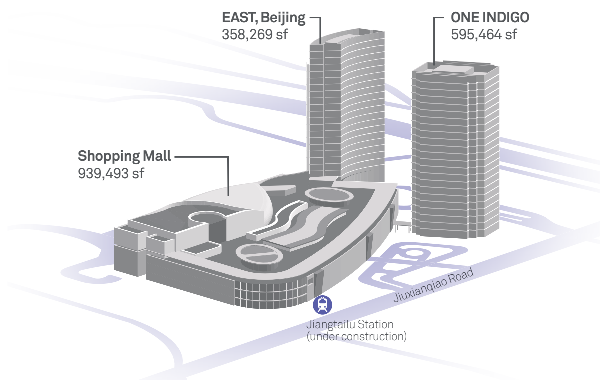
CITYGATE



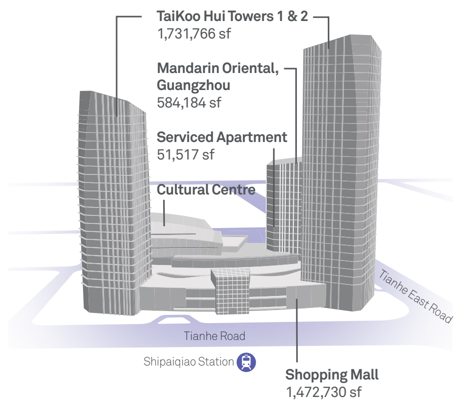
PACIFIC PLACE



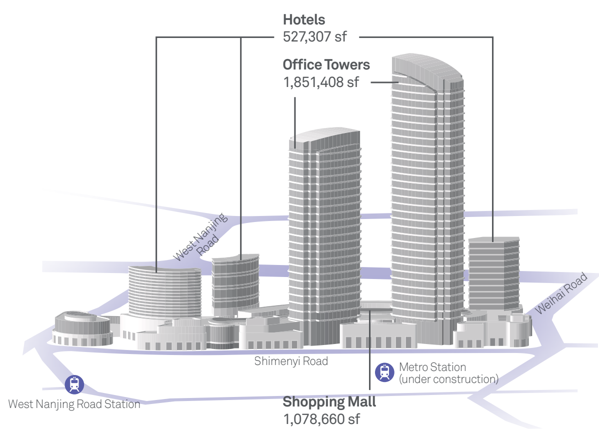
INDIGO
Beijing



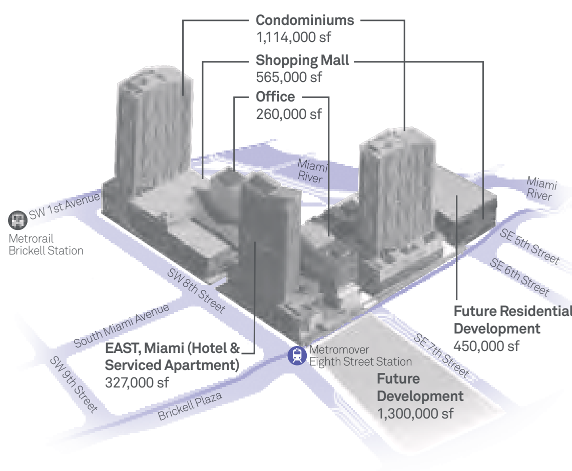
TAIKOO HUI
Guangzhou



DAZHONGLI PROJECT
Shanghai, Mainland China



BRICKELL CITY CENTRE
Miami, Florida, USA



VALUATION OF INVESTMENT PROPERTIES

The portfolio of investment properties was valued at 31st December 2013 (96% by value having been valued by DTZ Debenham Tie Leung) on the basis of open market value. The amount of this valuation, before associated deferred tax in Mainland China, was HK$216,239 million compared to HK$205,273 million at 31st December 2012 and HK$209,899 million at 30th June 2013.

The change in the valuation of the investment property portfolio since 31st December 2012 principally reflects increased rental income and the acquisition of property in Hong Kong.

Under HKAS 40, hotel properties are not accounted for as investment properties but are included within property, plant and equipment at cost less accumulated depreciation and any provision for impairment losses.

Swire Properties has increased its energy efficiency in Hong Kong by 25% since 2001 through building design optimisation and retrofitting buildings with more energy efficient technology. In 2013, it announced a new and more ambitious aim to reduce electricity consumption by 52 million kWh per year by 2020.

HOTELS

Hong Kong

Swire Properties wholly-owns Swire Hotels, which manages two hotels in Hong Kong, The Upper House, a 117-room luxury hotel at Pacific Place and EAST, Hong Kong, a 345-room hotel at Island East. Swire Properties has a 20% interest in each of the JW Marriott, Conrad Hong Kong and Island Shangri-La hotels at Pacific Place and in the Novotel Citygate in Tung Chung.

There was a better performance in 2013 from The Upper House in Hong Kong, with improved occupancy and average room rates. The performance of the non-managed hotels was stable in 2013.

Mainland China

Swire Hotels manages two hotels in Mainland China, The Opposite House, a 99-room luxury hotel at Taikoo Li Sanlitun, Beijing, and EAST, a 369-room hotel at INDIGO, Beijing. Swire Properties owns the whole of The Opposite House and 50% of EAST, Beijing. Swire Properties owns 97% of, but does not manage, the Mandarin Oriental at TaiKoo Hui, which has 263 rooms and 24 serviced apartments.

Business at The Opposite House was adversely affected by an increase in supply of new hotels and a reduction in the number of international visitors. The results of EAST, Beijing improved. The Mandarin Oriental at TaiKoo Hui opened in January 2013.

A third House hotel, The Temple House, is expected to open in late 2014 as part of the Daci Temple project in Chengdu. It will be managed by Swire Hotels.

USA

Swire Properties has a 75% interest in the 326-room Mandarin Oriental in Miami. Results in 2013 improved from 2012 levels due to higher average room rates.

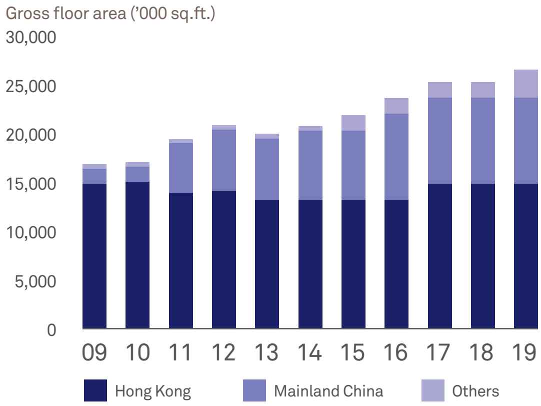
United Kingdom

Swire Properties wholly-owns four hotels in the United Kingdom, one each in Cheltenham, Bristol, Brighton and Exeter. Occupancy and room rates improved in 2013 despite weak trading conditions.

CAPITAL EXPENDITURE AND COMMITMENTS FOR INVESTMENT PROPERTIES AND HOTELS

Capital expenditure in 2013 on Hong Kong investment properties and hotels, including completed projects, was HK$4,359 million (2012: HK$1,828 million). Outstanding capital commitments at 31st December 2013 were HK$20,291 million (31st December 2012: HK$5,405 million), including the Group's share of capital commitments of joint venture companies of HK$3,536 million. The Group is committed to funding HK$3,129 million of the capital commitments of joint venture companies in Hong Kong.

Completed Property Investment Portfolio



Profile of Capital Commitments for Investment Properties and Hotels

	Expenditure	Forecast year of expenditure				Commitments *
	2013	2014	2015	2016	2017 & beyond	At 31st Dec 2013
	HK$M	HK$M	HK$M	HK$M	HK$M	HK$M
Hong Kong	**4,359**	3,852	2,520	2,721	11,198	**20,291**
Mainland China	**1,500**	3,080	1,664	999	570	**6,313**
USA and others	**1,237**	1,539	1,303	8	–	**2,850**
Total	**7,096**	8,471	5,487	3,728	11,768	**29,454**

* The capital commitments represent 100% of the Group's capital commitments of subsidiaries and the Group's share of the capital commitments of joint venture companies. The Group is committed to funding HK$4,212 million of the capital commitments of joint venture companies.

Capital expenditure in 2013 on Mainland China investment properties and hotels, including the Group's share of the capital expenditure of joint venture companies, was HK$1,500 million (2012: HK$1,776 million). Outstanding capital commitments at 31st December 2013 were HK$6,313 million (2012: HK$7,546 million), including the Group's share of the capital commitments of joint venture companies of HK$5,577 million (2012: HK$6,620 million). The Group is committed to funding HK$1,083 million (31st December 2012: HK$818 million) of the capital commitments of joint venture companies in Mainland China.

Capital expenditure in 2013 on USA and other investment properties and hotels was HK$1,237 million (2012: HK$239 million). Outstanding capital commitments at 31st December 2013 were HK$2,850 million (2012: HK$2,963 million).

SUSTAINABLE DEVELOPMENT

Electricity consumption increased by 8% in 2013. This compares favourably with the overall increase in occupied space in the investment property portfolio in Hong Kong and Mainland China. Old air conditioning and lighting systems were replaced with more energy efficient systems.

There was a decrease of 8% in the lost time injury rate. Safety risk assessments were carried out in Hong Kong and Mainland China. Systems used to manage safety were upgraded during the year.

PROPERTY TRADING

Audited Financial Information

PROPERTY TRADING PORTFOLIO AT COST

	Group	
	2013 HK$M	2012 HK$M
Properties held for development		
Freehold land	**706**	188
Properties for sale		
Completed properties – development costs	**1,441**	401
Completed properties – freehold land	**1**	4
Completed properties – leasehold land	**1,285**	145
Properties under development – development costs	**2,076**	1,762
Freehold land under development for sale	**175**	175
Leasehold land under development for sale	**3,004**	4,423
	7,982	6,910

Hong Kong

Sales of 21 units at the AZURA development on Seymour Road were completed in 2013. At 11th March 2014, 120 out of the total 126 units had been sold. The profit from the sales of 98 and 21 of these units was recognised in 2012 and 2013 respectively and the profit from the sale of the remaining one unit is expected to be recognised in 2014.

Units sold at the ARGENTA development, also on Seymour Road, were handed over to purchasers in September 2013. At 11th March 2014, 16 out of the total 30 units had been sold. The profit from the sales of 12 of these units was recognised in 2013 and the profit from the sales of the remaining four units is expected to be recognised in 2014.

Pre-sales of apartments at DUNBAR PLACE, a residential development in Ho Man Tin, Kowloon, started in April 2013. These were the first pre-sales of apartments in a new residential development in Hong Kong since the coming into force of the Residential Properties (First-hand Sales) Ordinance. 25 of the 53 units had been pre-sold at 31st December 2013 and a further 10 units have been sold since then. The development was completed in the last quarter of 2013. Handover of sold units to purchasers began in early 2014. Swire Properties has a 50% interest in this development.

The occupation permit for MOUNT PARKER RESIDENCES, a residential development in Quarry Bay, Hong Kong, was issued in December 2013. The units will be available for sale and handover to purchasers in 2014. Swire Properties has an 80% interest in this development.

Superstructure works at the AREZZO residential development on Seymour Road are progressing on schedule, with completion expected in the second half of 2014. AREZZO represents the first phase of a two phase development. Pile cap construction is in progress at the adjacent second phase of the development. The development is expected to be completed in 2016.

Two adjacent residential sites at Cheung Sha, Lantau Island are being developed into detached houses. The development is expected to be completed in 2015.

Mainland China

At 31st December 2013, superstructure works were largely complete at Pinnacle One, the office portion of the Daci Temple project in Chengdu.

In August, 89% of the gross floor area of Pinnacle One was pre-sold. The office tower is scheduled to be handed over to the purchaser in 2014.

USA

Sales of 13 units were completed at the ASIA residential development in Miami in 2013. Of the 123 units at ASIA, 122 units had been sold at 31st December 2013. The development is now effectively sold out as the final unit is being withheld for marketing purposes.

The residential portion of the Brickell City Centre development in Miami, which is intended to be developed for trading purposes, is expected to be completed in 2015.

OUTLOOK

Office and Retail

Hong Kong

OFFICE

We remain cautious about the outlook for 2014. Demand for office space, particularly from the financial sector, is likely to remain weak and as a result rents will remain under pressure in the central district. Occupancy rates are expected to be lower. Pacific Place, however, has no major leases expiring in 2014.

At Island East, rents are expected to remain resilient owing to high occupancy.

Office tenancies accounting for approximately 11% of rental income in the month of December 2013 are due to expire in 2014 with no committed renewals or new lettings, with a further 15% due to expire in 2015.

RETAIL

Retailers are cautious about expanding. Despite this, Hong Kong retail sales are expected to grow, albeit more slowly than in 2013. Demand for retail space at prime locations and well-managed shopping malls is expected to continue to increase.

Retail tenancies accounting for approximately 12% of rental income in the month of December 2013 are due to expire in 2014 with no committed renewals or new lettings, with a further 25% due to expire in 2015.

Mainland China

RETAIL

In Guangzhou, demand for new space from luxury retailers has weakened. This reflects the effect of certain government measures on the consumption of luxury goods.

In Beijing, retailers of international brands are continuing to look for space in prime locations and well-managed malls.

OFFICE

In Guangzhou, rents are expected to be under pressure in 2014 due to the large supply of existing and new office space.

There is expected to be limited new supply of office space in Beijing. As a result, occupancy rates are expected to remain high in 2014.

Hotels

Results in 2014 from the hotel portfolio are expected to benefit from improved performances at the Mandarin Oriental in TaiKoo Hui, The Opposite House and EAST, Beijing.

Property Trading

Hong Kong

In Hong Kong, stamp duty increases have reduced the number of transactions in the luxury residential market. However there continues to be demand for high quality properties albeit at more subdued levels. Profits from property trading are expected to be higher in 2014 than in 2013, with expected sales of completed units at the DUNBAR PLACE and MOUNT PARKER RESIDENCES developments and of remaining units at the AZURA and ARGENTA developments.

Mainland China

Profits are expected to be recorded on the handover to the purchaser of the space pre-sold at the Pinnacle One office tower at the Daci Temple project in Chengdu.

USA

The market for new residential condominiums in urban Miami performed well in 2013 and is expected to continue to improve in 2014. However, because of the timing of completion of the Brickell City Centre development, significant profits from property sales in the USA are not expected in 2014.

Martin Cubbon